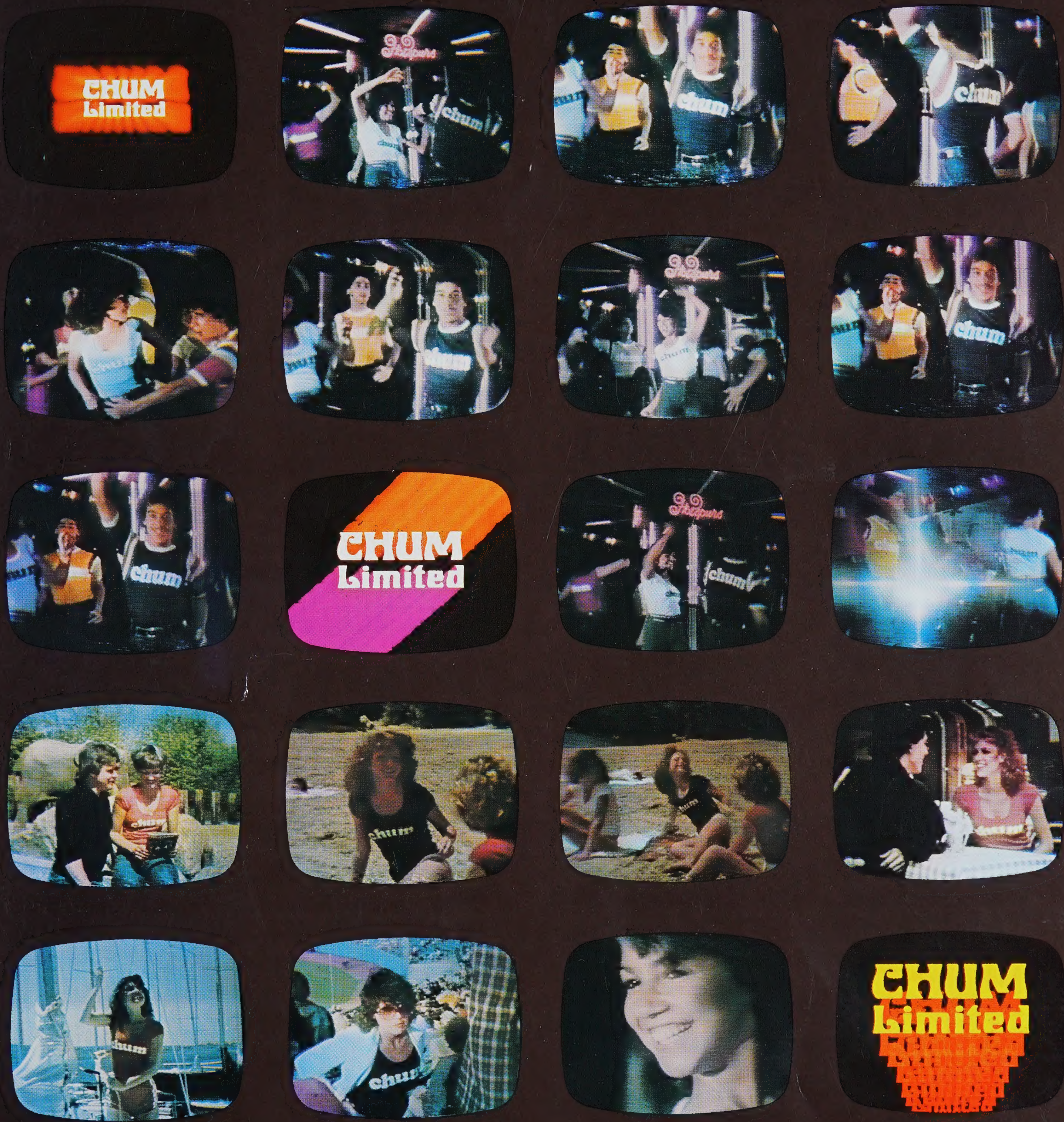

ANNUAL REPORT YEAR ENDED AUGUST 31, 1979

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THE CHUM CHARITABLE FOUNDATION

Through the grateful generosity of many interested parties and individuals, the CHUM Charitable Foundation is able to assist the growing number of charitable institutions and organizations which request funding each year.

The Foundation's major annual project is the CHUM Christmas Wish, which insures that 2,000 or more needy Toronto and area families have a proper Christmas, complete with full dinner and gifts for each family member. This is the twelfth consecutive year for this major undertaking, now known as the CHUM/City Christmas Wish.

CHUM Limited

HEAD OFFICE

1331 Yonge Street, Toronto, Ontario M4T 1Y1

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
Toronto, Montreal, Halifax, Vancouver

SOLICITORS

Fasken & Calvin

AUDITORS

Price Waterhouse & Co.

BANKERS

The Royal Bank of Canada

STOCK EXCHANGE LISTINGS

Toronto, Montreal, Vancouver

THE CHUM GROUP

BRITISH COLUMBIA

CFUN Vancouver
"Music by Muzak" for Vancouver and Victoria

ALBERTA

"Music by Muzak" for Calgary

MANITOBA

CFRW Winnipeg
CHIQ-FM Winnipeg

ONTARIO

CHUM	Toronto
CHUM-FM	Toronto
CITY-TV	Toronto
CFRA	Ottawa
CFMO-FM	Ottawa
CKPT	Peterborough
CKQM-FM	Peterborough
CKVR-TV	Barrie

HUCHM Productions Limited

"Music by Muzak" for the Province of Ontario

Ottawa Football Club Limited, Ottawa

National Security Systems, Toronto

The Telephone Store, Toronto

MARITIMES

CJCH Halifax
CIOO-FM Halifax

Atlantic Television System
— CJCH-TV Halifax
— CJCB-TV Sydney
— CKCW-TV Moncton/Charlottetown
— CKLT-TV Saint John/Fredericton

DIRECTORS AND OFFICERS

Allan Waters
Toronto
President and Director

J. Wesley Armstrong
Toronto
Vice-President, Sales and Director

Alexander A. Forbes, C.A.
Toronto
Vice-President, Finance, Secretary-Treasurer and Director

Fred Sherratt
Toronto
Vice-President, Programming and Operations and Director

Ralph T. Snelgrove
Barrie
Chairman of the Board, CKVR Channel 3 Limited
Director

Robert M. Sutherland, Q.C.
Toronto
Partner, Fasken & Calvin
Director

Marjorie Waters
Toronto
Director

Taylor C. Baiden, B.Comm., C.A.
Toronto
Controller

Lyn Smith
Toronto
Assistant Secretary

FINANCIAL HIGHLIGHTS

	Year ended August 31	
	1979	1978
Revenue, less agency commissions	**$56,091,000**	$42,060,000
Net earnings before extraordinary items	**2,706,000**	2,944,000
Earnings per Class B and Common Share before extraordinary items	**.84**	.91
Net earnings per Class B and Common Share	**.94**	.26
Working capital from operations	**7,094,000**	5,545,000
Working capital at end of year	**5,908,000**	6,822,000
Provision for income taxes	**4,424,000**	4,100,000
Long-term debt, excluding program rights payable	**12,007,000**	12,922,000
Shareholders' equity	**26,099,000**	23,879,000
Dividends paid — Class B shares	**621,000**	622,000
— Common shares	**319,000**	319,000
Capital expenditures	**3,926,000**	2,799,000

REPORT TO THE SHAREHOLDERS

CHUM Limited's revenue increased to $56,091,000 for the year ended August 31, 1979, compared to $42,060,000 for the corresponding period last year. It should be noted that the 1979 results include the revenue and earnings of CITY-TV, Channel SeventyNine Limited.

Earnings before extraordinary items were 84¢ per share, compared to 91¢ per share for the corresponding period last year. (After extraordinary items: 1979 — 94¢; 1978 — 26¢).

Due to the constantly rising interest rates this past year, CHUM Limited, like many other Canadian companies, has been faced with escalating costs on borrowed money. Interest on the Company's long-term debt increased this year to $1,666,000, compared to $357,000 at the same period last year, primarily as a result of financing the purchase of controlling interest in CITY-TV Toronto. CITY's performance is up to our expectations. The station's Toronto-oriented programming is attracting viewers in larger numbers, and the retail and regional sales division was expanded with satisfactory results.

Again this year, CHUM Limited paid a special dividend of 5¢ per share on both the Common and Class B stock. In total, $940,000 in dividends was passed on to the Company's shareholders this year.

We continue to update and improve our buildings and facilities, and this year invested $3,926,000 in fixed assets. CHUM Limited, through its wholly-owned subsidiary, HUCHM Productions Limited, acquired audio and video production facilities, including a fully-equipped television mobile and a complete audio mobile unit. These facilities are allowing the Company to actively participate in Canadian radio, television and sound production. HUCHM Productions now has the capability to cover sports, entertainment spectaculars and other sophisticated, large scale events.

The capital expenditures made last year for new radio technical facilities in Winnipeg are beginning to show results in improved audience and sales. CHUM-AM Toronto is holding a strong position with increased competition in the marketplace, and CHUM-FM is the number one FM station in Canada. The newest FM stations in the Group — CKQM-FM Peterborough and CIOO-FM Halifax — are showing regular audience gains, and their sales are improving. The other stations have maintained or increased their audiences and revenue in their respective communities. All CHUM Group radio stations have recognized the escalating media competition in their markets, and have adjusted their selling efforts accordingly.

Atlantic Television System Limited has completed an extensive service improvement program in the Maritimes with the completion of three rebroadcasting stations in Nova Scotia. Channel 3 Port Hawkesbury, Channel 40 Yarmouth and Channel 12 Truro went on the air this Fall. The completion of

Allan Waters,
President

these transmitters makes ATV off-air service available to virtually all Nova Scotians.

ATV has made a major move into electronic news gathering. The Company's studios and bureaus at Sydney, Halifax, Moncton, Saint John and Fredericton are being equipped with the latest cameras and video tape facilities. This will ensure faster and more flexible news coverage on ATV's four major newscasts in the Maritimes.

The CHUM Group National News is heard daily at mid-day on CFUN Vancouver, CFRW Winnipeg, CHUM Toronto, CFRA Ottawa and CJCH Halifax. Editorials and commentaries, originating from a different city each day, reflect the opinions and points of view of five separate areas of Canada, helping Canadians to understand the regional differences of our country.

FM listening is on the increase generally across Canada. We do not view this increase as a threat to AM radio listening. Rather, AM and FM radio stations are serving different needs, and as a result, are carving out specific listening audiences. We believe that FM radio will continue to attract greater listening audiences in the future.

I believe that the present uncertain and uneasy financial situation in North America will continue for some time, and that tough, unpopular steps must be taken in order to control the inflationary spiral that has developed over the past years. During this difficult period, all of us must work harder, produce more, spend only on what we can afford. In the long run, I am confident that our economy will again assert its strength.

At CHUM Limited, we are spending only for essential projects, and are dedicated now to greater productivity, and harder, more creative and more aggressive selling by the many fine sales forces which we have developed throughout Canada.

CHUM Limited is a vital part of the Canadian communications industry, and making a positive contribution to this extremely important segment of Canadian culture. We will continue to pursue our policy of expansion in broadcasting and its related areas.

Allan Waters,
President

Toronto, Ontario
November 13, 1979

CONSOLIDATED BALANCE SHEET

ASSETS

	August 31 1979	1978
Current assets:		
Cash	**$ 1,279,732**	$ 578,929
Short-term deposits	**3,300,000**	4,100,000
Accounts receivable	**10,066,009**	8,110,291
Program rights	**3,873,480**	2,941,776
Inventories, at the lower of cost and net realizable value	**500,237**	616,391
Prepaid expenses and other assets	**356,371**	482,325
	19,375,829	16,829,712
Program rights	**5,717,225**	3,804,662
Notes receivable (Note 3)	**1,497,049**	1,580,150
Fixed assets, at cost:		
Land	**1,566,546**	1,545,431
Buildings and equipment	**29,704,455**	25,946,624
	31,271,001	27,492,055
Less: Accumulated depreciation	**18,448,562**	16,472,747
	12,822,439	11,019,308
Other assets:		
Franchise and patents, at cost less amortization	**205,739**	418,352
Excess of cost of shares of subsidiary companies over book value of underlying assets and other goodwill, at cost less amortization	**19,276,060**	19,208,927
	19,481,799	19,627,279
	$58,894,341	$52,861,111

APPROVED BY THE BOARD:

Director

Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31 1979	1978
Current liabilities:		
Bank loans	$ 2,269,000	$ 1,135,000
Accounts payable and accrued liabilities	4,358,444	3,962,885
Income taxes payable	867,496	706,283
Current portion of long-term debt (Note 4)	5,972,910	4,203,260
	13,467,850	10,007,428
Long-term debt (Note 4)	14,518,772	15,340,376
Minority interests	4,808,679	3,634,582
Shareholders' equity:		
Capital stock (Note 6) —		
Non-voting Class B shares without par value —		
Authorized — 7,940,000 shares		
Issued — 2,151,819 shares		
(1978 — 2,132,500 shares)	9,468,765	9,256,260
Common shares without par value —		
Authorized — 1,492,774 shares		
Issued — 1,093,177 shares		
(1978 — 1,100,403 shares)	981,145	987,630
Retained earnings	15,649,130	13,634,835
	26,099,040	23,878,725
	$58,894,341	$52,861,111

AUDITORS' REPORT

To the Shareholders of CHUM Limited:

We have examined the consolidated balance sheet of CHUM Limited and subsidiary companies as at August 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at August 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
November 7, 1979

PRICE WATERHOUSE & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended August 31	
	1979	1978
Revenue, less agency commissions (Note 5)	$56,091,142	$42,060,207
Operating expenses	43,838,866	32,116,943
	12,252,276	9,943,264
Other expenses (income):		
Interest expense, including $1,665,911 on long-term debt (1978 — $357,083)	1,803,666	534,889
Interest and other income	(342,761)	(237,095)
Depreciation	2,122,538	1,599,110
Amortization of franchise and goodwill	261,214	133,496
	3,844,657	2,030,400
Earnings before income taxes and minority interests	8,407,619	7,912,864
Provision for income taxes	4,423,826	4,100,400
	3,983,793	3,812,464
Minority interests in earnings of subsidiary companies	1,277,837	868,464
Net earnings before extraordinary items	2,705,956	2,944,000
Extraordinary items:		
Income tax reduction realized on the carry-forward of prior years' losses	485,064	—
Loss on discontinued operations in a subsidiary, net	(155,608)	—
Excess of carrying cost over consideration received on sale of subsidiary companies	—	(1,738,304)
Provision for loss on investment	—	(376,000)
	329,456	(2,114,304)
Net earnings for the year	$ 3,035,412	$ 829,696
Earnings per Class B and common share:		
Net earnings before extraordinary items	$ .84	$ .91
Extraordinary items:		
Excess of carrying cost over consideration received on sale of subsidiary companies	—	(.54)
Other, net	.10	(.11)
	.10	(.65)
Net earnings for the year	$ .94	$ .26

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended August 31	
	1979	1978
Source of funds:		
Operations —		
Net earnings before extraordinary items	**$2,705,956**	$2,944,000
Add: Charges not affecting working capital —		
Depreciation and amortization	**2,383,752**	1,732,606
Minority interests in earnings of subsidiary companies	**1,277,837**	868,464
Income tax reductions relating to losses carried forward and goodwill	**726,615**	—
Working capital from operations	**7,094,160**	5,545,070
Decrease in notes receivable (Note 3)	**83,101**	—
Increase in term bank loan	—	11,000,000
Increase in non-current program rights payable	**92,923**	—
Class B shares issued	**212,505**	—
Disposal of subsidiary companies net of working capital of $830,088	—	129,913
Other	—	65,238
	7,482,689	16,740,221
Application of funds:		
Additions to fixed assets	**3,925,669**	2,799,223
Reduction of term bank loan and mortgages	**914,527**	1,901,393
Dividends paid	**939,667**	941,142
Dividends paid to minority shareholders of a subsidiary	**304,020**	208,310
Acquisition of shares of CHUM Limited for cancellation (Note 6(c))	**87,935**	600,000
Acquisition of subsidiaries and businesses including working capital deficit of $76,764 in 1978	**287,005**	4,426,957
Additions to non-current program rights	**1,912,563**	—
Increase in notes receivable	—	1,485,700
Repayment of bank loans on acquisition of subsidiary company	—	4,320,000
Other	**25,608**	—
	8,396,994	16,682,725
Increase (decrease) in working capital	**(914,305)**	57,496
Working capital at beginning of year	**6,822,284**	6,764,788
Working capital at end of year	**$5,907,979**	$6,822,284

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended August 31	
	1979	1978
Retained earnings at beginning of year	**$13,634,835**	$14,085,881
Net earnings for the year	**3,035,412**	829,696
	16,670,247	14,915,577
Deduct:		
Dividends paid (24¢ per share regular; 5¢ per share special) —		
Class B shares	**620,550**	622,025
Common shares	**319,117**	319,117
	939,667	941,142
Excess of purchase price over the average paid-in value of shares acquired and cancelled during year		
Class B shares	**—**	339,600
Common shares	**81,450**	—
	1,021,117	1,280,742
Retained earnings at end of year	**$15,649,130**	$13,634,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AUGUST 31, 1979

1. Accounting policies:

Consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of one subsidiary are included as at January 31, 1979, its fiscal year end.

Program rights —

For Channel SeventyNine Limited, the costs of program rights are amortized over the period of the rights contract on the basis of usage. Such costs are allocated between current and non-current assets based on estimated usage in the next year. Costs of program rights are written off when deemed to be of no value. Liabilities for these program rights are reflected in the balance sheet when the Company is committed, at which time the related costs are recorded as assets.

For other subsidiary television companies, the costs of program rights are written off as incurred.

Depreciation —

Depreciation is provided in the accounts of the companies on the reducing balance method at the following rates: buildings — 5%; equipment — 20% to 25%. Leasehold improvements are amortized on a straight-line basis over the term of the lease plus one renewal period.

Franchise —

The franchise is being amortized on a straight-line basis over the period of the franchise agreement.

Goodwill —

It is the Company's policy not to amortize the excess cost of shares of subsidiary companies and other goodwill relating to acquisitions made prior to April 1, 1974 amounting to $13,136,626, since these amounts are considered to be of continuing value. Goodwill relating to acquisitions made after April 1, 1974 is being amortized on a straight-line basis over periods of 20 to 40 years.

The tax saving resulting from the portion of goodwill allowed as a deduction in computing taxable income is credited against the cost of the goodwill.

2. CITY-TV:

Income and expenses of Channel SeventyNine Limited (CITY-TV) have been included in the consolidated statement of earnings for the year ended August 31, 1979 following its acquisition effective August 31, 1978.

During the year the Company increased its investment in CITY-TV by 3.6% to 70.8% of the outstanding shares as at August 31, 1979 at a total cost of $275,005.

Effective September 1, 1978 CITY-TV retroactively changed its basis of calculating depreciation from the straight-line method to the reducing balance method. This change had the effect of increasing the excess of cost of shares of CITY-TV over the book value of the underlying assets by $204,494 in the comparative balance sheet as at August 31, 1978.

The Founders and other employee shareholders of CITY-TV have the option to require CHUM Limited to purchase up to 223,629 of their shares in CITY-TV (8.2% of the issued common shares) at a price of $3 per share at various dates and under certain conditions during the period up to December 31, 1981.

3. Notes receivable:

	August 31	
	1979	1978
Non-interest bearing notes, secured by shares of a subsidiary	**$1,423,200**	$1,485,700
Non-interest bearing notes, secured by mortgages, receivable in 4 equal annual instalments 1980-1983	**73,849**	94,450
	$1,497,049	$1,580,150

The non-interest bearing promissory notes are due on or before December 31, 1981. The amounts are subject to escalation if repayment is made after that date up to December 31, 1983.

4. Long-term debt:

	August 31	
	1979	1978
Term bank loan repayable in annual instalments of $400,000 in August 1980, $1,200,000 in August 1981 to 1989, with the balance due August 1990, interest at rates varying between 7/8%-1 3/4% above prime bank rate (1)	**$12,300,000**	$13,700,000
Mortgages, with interest at 5% and 7% due in instalments to 1986	**121,941**	135,834
	12,421,941	13,835,834
Program rights payable 1979-1985 (2)	**8,069,741**	5,707,802
	20,491,682	19,543,636
Less: Current portion	**5,972,910**	4,203,260
	$14,518,772	$15,340,376

(1) The term bank loan is unsecured; however, if requested at any time by the bank the Company has undertaken to provide, within thirty days, security consisting of general assignments of receivables of all companies in the group, fixed charges on the shares of the subsidiaries and floating charges on the assets of all the companies.

(2) Payments on contracts for program rights of $5,558,383 estimated to be made in the year ending August 31, 1980 are included in the current portion above. The amounts due in each of the years 1981 to 1985 are dependent in part on the dates such programs are shown and cannot be reasonably estimated.

The principal repayments of long-term debt, excluding program rights, required in each of the next five years ended August 31, are as follows:

1980	$ 414,527
1981	1,215,205
1982	1,215,932
1983	1,216,711
1984	1,217,545

5. Revenue:

Revenue is divided in the following proportions:

	Year ended August 31	
	1979	1978
Broadcasting, less agency commissions	**86%**	82%
Other	**14%**	18%
	100%	100%

6. Capital stock:

(a) The holders of the Class B shares are entitled to receive, if, as and when declared by the board of directors, annual non-cumulative dividends at the rate of 24¢ per share. No dividends shall be declared on the common shares in any year until dividends of 24¢ per share have been paid on the Class B shares. Whenever in any year dividends of 24¢ per share have been paid on both the Class B and common shares, any further dividends shall be paid equally on the Class B and common shares.

The Class B and common shareholders are entitled to share equally in any distribution of the Company's assets on winding up.

(b) Options are outstanding to purchase 20,000 non-voting Class B treasury shares exercisable at $14.00 per share until expiry on March 15, 1983.

(c) During the year, the Company acquired and cancelled 7,226 common shares of the Company at a total cost of $87,935.

(d) During the year, the Company issued 19,319 Class B shares as consideration for the purchase of an additional 70,835 common shares of Channel SeventyNine Limited for $212,505.

7. Income taxes:

As at August 31, 1979 certain subsidiary companies had non-capital losses available for carry forward to future periods, calculated on the accounting basis, amounting to approximately $4,924,000. These losses are summarized as follows:

Losses for income tax purposes expiring in	1980	$ 31,000
	1981	41,000
	1982	1,508,000
	1983	477,000
	1984	472,000
		2,529,000
Excess of undepreciated capital cost of fixed assets over net book value		2,395,000
		$4,924,000

In addition, capital losses of approximately $439,000 and allowable business investment losses of approximately $174,000 are available to be carried forward against capital gains realized and other taxable income in future years, as appropriate.

No recognition has been given in the consolidated financial statements to the potential future tax saving resulting from the availability of these losses.

8. Lease commitments:

The Company and its subsidiaries are committed under leases for rental of properties, broadcasting facilities and other equipment extending for varying periods to 1999 in the aggregate minimum amount of approximately $7,367,000. Rental expense for such facilities for the year ended August 31, 1979 amounted to $920,000 and total payments required in each of the next five years are:
1980 — $979,000; 1981 — $899,000; 1982 — $759,000; 1983 — $730,000; 1984 — $592,000.

9. Contingent liabilities:

In 1979, a subsidiary of the Company was named as a co-defendant in a number of legal actions arising from an accident involving the subsidiary's television tower.

The Company has insurance coverage for matters of this nature, but the total amount of the claims has not been fully determined at this time. It is the opinion of management and its legal counsel that the Company has a substantial defence to the claims made against it and, therefore, no provision for this matter has been made in the financial statements.

DESIGNED & PRODUCED IN CANADA BY SUMMERHILL GRAPHICS

CHUM
Limited